PORT OF PORTLAND
Marine Division
121 NW Everett Portland OR 97209
Box 3529 Portland OR 97208
T 503 944 7000 F 503 944 7250

March 12, 2010

Secretary, United States International Trade Commission
500 East Washington Street SW
Washington DC 20436

RE: US INTERNATIONAL TRADE COMMISSION PUBLIC HEARING
WRITTEN TESTIMONY MARCH 12, 2010
HOLIDAY INN PORTLAND AIRPORT

Equipment Issues Facing Exporters

The transpacific container ocean carriers are mainly foreign-owned global corporations with activities in all major trade lanes. Given these global operations, North American trade lanes compete for both vessel deployments and the corresponding container equipment. Generally, transpacific rates are lower in both directions than other major trade lanes such as Europe-Asia, Intra-Asia, and North/South services making ocean carriers less inclined to provide excess capacity to the transpacific trade. The present oversupply of vessels globally has led the container ocean carriers to furlough roughly 13% of the global fleet with empty containers on board effectively taken out of service pending recovery from the global economic downturn. In recent years, container ocean carriers have further been forced to accept significant rate increases from the Class I railroads with a near tripling of costs for empty repositioning from the major empty termination points of Chicago, the Northeast, and the Southland to the US PNW. Given these repositioning costs, container ocean carriers will no longer absorb the cost of the empty reposition preferring instead to match exports back only with equipment becoming naturally available from US PNW import consumption. Finally, while exporters can pay to reposition the international container to the place of need or develop a separate domestic transportation solution, this additional inland cost burden will often cause the export commodity to become more expensive when compared to other global sources.

Transpacific Rate Disparity

Given that container freight charges are rated on the value of the cargo, the historic trend in the transpacific trade has been that the import rates have been nearly double the export rates. In recent years, this disparity has lessened somewhat, but mainly due to the plummeting of import rates rather than any meaningful gain in the overall rate level for transpacific exports. This longstanding disparity has caused the global ocean carriers, in many cases, to prefer to reposition empty equipment back to Asia from North America rather than hold containers for export cargo. This trend was exacerbated by requests from exporters to provide extended free time allowing

for containers to idle at the exporter's door at origin and by extended dwell time at destination while the buyer often uses the container for warehouse storage in Asia (hay, wastepaper, and scrap metal are examples here) due to limited storage capacity at destination. Today, the rate disparity stands at roughly 1,000 USD per container, making export cargo somewhat more attractive than has been the trend for the last decade; however, not sufficiently compelling to cause container ocean carriers to inject more container capacity into the transpacific at this time.

Overall Transpacific Market Size

The 2009 transpacific import market to the US stands at roughly 10.9 million TEU (twenty foot equivalent units). The corresponding 2009 transpacific export market stands at roughly 5.9 million TEU. It stands to reason then that there should be sufficient container equipment to permit growth of export cargo to Asia. Various factors impede this growth--namely the mismatch of equipment flows to/from various points within North America; the mismatch of equipment flow within Asia, with most eastbound cargo moving from China and most westbound cargo moving to SE Asia, India and Oceania; and finally the high cost of truck and rail repositioning costs within North America. Additionally, deadweight limitations result on westbound vessel deployments due to the sheer weight of export cargo making it impossible for container ocean carriers to fully load their vessels with export cargo.

PNW/Portland Regional Trade Imbalance Situation:

The 2009 trade data for the Portland region within the US PNW shows a fundamental imbalance with a container deficit situation resulting in chronic equipment availability issues. The Portland region, for this purpose, is defined as the State of Oregon and Southern Idaho only. The trade data shows a huge annual deficit of nearly 70,000 containers in 2009 with the greatest need for equipment to Japan, Korea, and SE Asia. The primary method for improving this fundamental imbalance must be focus on growth of the import distribution warehouse network in the region. Unless and until exporters are willing and able to pay higher freight rates, this will be the most effective means of providing additional container supply to the region.

Greg Borossay
Sr. Manager, Trade & Carrier Development

cc: Annette Price, Port of Portland